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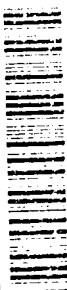
United States General Accounting Office
Report to Congressional Committees

October 1994

ACQUISITION REFORM

DOD Begins Program to Reform Specifications and Standards

AD-A285 787



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National Security and
International Affairs Division

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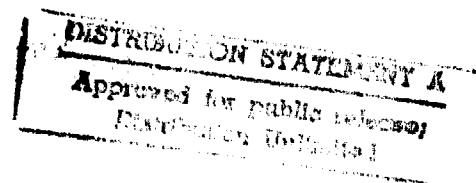
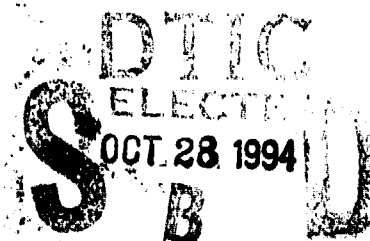
October 11, 1994

The Honorable John Glenn
Chairman
The Honorable William V. Roth, Jr.
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Sam Nunn
Chairman
The Honorable Strom Thurmond
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable John Conyers
Chairman
The Honorable William F. Clinger, Jr.
Ranking Minority Member
Committee on Government Operations
House of Representatives

The Honorable Ronald V. Dellums
Chairman
The Honorable Floyd Spence
Ranking Minority Member
Committee on Armed Services
House of Representatives



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During the past year, the Congress and the Department of Defense (DOD) have spent significant time and resources on acquisition reform and in promoting the use of commercial products and processes. DOD has taken the lead in an area of acquisition reform where statutory changes are not required. Specifically, DOD has developed a program to reform military specifications and standards. On June 29, 1994, the Secretary of Defense directed the services and DOD agencies to implement this new program.

DOD officials consider acquisition reform as an imperative, and they view eliminating unnecessary reliance on military specifications and standards as critical to this reform. However, DOD has been trying to reduce its reliance on military specifications and standards for over 20 years with

only modest success. Accordingly, we are providing the cognizant congressional committees with the results of our self-initiated review of this key aspect of acquisition reform. Specifically, we reviewed whether the current program (1) goes further than prior attempts to advance military specifications and standards reform and (2) gives adequate attention to key issues and concerns.

Background

The military and political changes occurring after the Cold War era have resulted in the need for change in U.S. military forces and the acquisition system that supports them. DOD's acquisition reform program was established to reduce acquisition costs while maintaining technological superiority. The goal is to move away from buying items made to comply with unique DOD specifications, terms, and conditions and toward buying commercial products or products made using commercial practices. The intent is to further integrate the U.S. defense and commercial industrial bases. DOD's use of military-unique specifications and standards has been cited in several reports as a major barrier to this acquisition reform goal.

In general, "military specifications" describe the physical and or operational characteristics of a product and "military standards" detail the processes and materials to be used to make the product. The standards can also describe how to manage the manufacturing and testing of a part. For example, a specification might describe the kind of wire to be used in an electrical circuit and a standard might describe how the wire is to be fastened in a circuit and what tests should be conducted on the circuit. Military specifications and standards, collectively referred to as "milspecs," are a major part of DOD's Standardization Program, which seeks to limit variety in purchased items by stipulating certain design details. Some principal purposes for milspecs have been to (1) ensure interoperability between products, (2) provide products that can perform in extreme conditions, (3) protect against contractor fraud, and (4) promote greater opportunities for competition among contractors.

Many studies over the past 20 years have attempted to redirect the milspec system. In general, these studies have recognized that although milspecs are required, DOD's milspec process was complex, and often rigid, and blocked the use of commercial products and processes. These studies have repeatedly presented a number of the same issues and recommendations.

Although DOD has made some progress in decreasing reliance on milspecs, in August 1993, the Deputy Under Secretary of Defense for Acquisition Reform directed that a process action team (PAT) be established to revisit milspec reform. The PAT was to develop (1) a comprehensive plan to ensure that DOD describes its needs in ways that permit maximum reliance on existing commercial items, practices, processes, and capabilities, and (2) an assessment of the impact of the recommended actions on the acquisition process.

The April 1994 PAT report entitled Blueprint for Change: Report of the Process Action Team on Military Specifications and Standards is the foundation for DOD's current milspec reform program. Appendix I lists the 24 recommendations from the report and highlights the 13 recommendations identified as principal ones. On June 23, 1994, DOD published an implementation plan for the reform program. In a June 29, 1994, memorandum, the Secretary of Defense officially accepted the PAT report and directed the services and DOD agencies to take immediate action to implement the recommendations. These three documents—the report, the plan, and the memorandum—are the basis of DOD's current efforts to reform milspecs.

Results in Brief

DOD's current milspec reform program builds on previous studies. Although many of the recommendations are essentially the same as those in earlier reports, the current program goes further than previous efforts because it includes more details for implementation. While the implementation strategy is still being refined, officials in the Office of the Secretary of Defense (OSD) stated that the June 1994 implementation plan is the first step in a long-range, iterative process. Major buying commands and centers are to present plans by November 1994 that should provide further implementation details.

The current milspec reform effort focuses on changing the acquisition culture and contains several actions intended to accomplish this change.¹ These include (1) ensuring long-term, top-management support; (2) providing training to the affected workforce; (3) securing adequate funding and personnel resources; and (4) establishing incentives for desired behavior. These actions have been used successfully by some commercial companies to promote cultural change.

¹"Culture" may be defined as the underlying assumptions, beliefs, values, attitudes, and expectations shared by an organization's members.

To achieve the major cultural change desired, DOD will need acceptance and support of the milspec reform program throughout the military acquisition community, including both DOD's and contractors' offices. Achieving this acceptance and support could become more difficult without (1) improved data on the benefits of implementing the recommended actions; (2) better focus on areas with the greatest opportunities for benefits; and (3) adequate indicators, referred to by DOD as metrics, to measure progress toward intended goals. DOD officials have acknowledged difficulties in these areas and indicated that actions would be taken to address these shortcomings as program implementation continues.

Program Goes Further Than Prior Efforts

DOD's current milspec reform program is directed toward reducing government involvement in the detailed management of acquisitions so that appropriate opportunities will be taken to use commercial products and processes. Examples of the program's direction can be seen by such recommendations as streamlining government oversight and inspection, encouraging contractors to offer alternatives to milspecs, expecting the use of performance-based milspecs, and requiring waivers to use milspecs when no alternative is available. This program is based on essentially the same recommendations contained in earlier reports addressing milspec reform. However, the PAT report goes further than previous efforts, as it includes more details for implementation, and additional steps were taken in June 1994, when DOD issued its implementation plan.

Most Recommendations Are Not New

The fact that most recommendations in the current program to reform milspecs are not new is not surprising because the PAT primarily relied on prior reports for its analysis. Also, as noted in an earlier study, the milspec area has been analyzed many times and "there is literally nothing new under the sun." In our review of eight prior milspec and acquisition reform reports issued since 1977 (listed in app. II), we identified similar recommendations for 17 of the 24 recommendations in the PAT report, including 10 of the 13 principal ones. For example, at least six of the prior reports contained recommendations similar to the PAT recommendations for training, developing nongovernment standards, and automating the development of milspecs. Of the seven new recommendations, four were milspec recommendations related to oversight, contractor test and inspection, pollution prevention, and corporate information management for acquisition. The remaining three were not recognized by DOD as

milspec issues and were not addressed by the implementation plan or the Secretary's memorandum.

Not only are most of the recommendations not new, but some of the recommended tasks are already stated in DOD or service policy. For example, one major PAT recommendation is to use performance specifications; however, according to DOD and service officials, the preference for performance specifications has existed for several years. In regard to another recommendation, DOD policy already directs adoption of all nongovernment standards currently used in DOD. Furthermore, the DOD Inspector General's Office, in comments on the PAT draft report, indicated that the services' or defense agencies' policies have either encouraged or required actions similar to five of the recommended tasks to eliminate excessive contract requirements.

Additionally, some DOD locations had undertaken actions that are comparable to tasks recommended in the PAT report. For example, the Army's Armament, Munitions, and Chemical Command and its Test and Evaluation Command reported that in a 10-month period, they saved \$42 million in test and inspection costs, with most savings resulting from the use of process controls. Process controls were recommended in the PAT report.

PAT Report Facilitates Program Implementation

DOD's current milspec program addresses many aspects of developing and applying milspecs and identifies tasks that need to be accomplished. This can be attributed, in part, to the fact that the PAT report developed more detailed plans for implementation than most of the prior reports. In addition to identifying tasks for each recommendation, the report identified risks, barriers, possible benefits and disadvantages, resources, timeframes, responsible organizations, and progress indicators associated with the recommendations. For example, one principal recommendation is to establish Standards Improvement Executives that have the authority and resources to implement an improvement program in each service and defense agency. For this recommendation, the report identifies

- six tasks for implementation, such as appointing the Executives by a specified date and developing a separate budget line item for the funding they control;
- a risk to successful implementation, the concern that adequate resources might be unavailable;

- a barrier, the failure of past DOD leadership to demonstrate long-term commitment to the milspecs improvement program;
- benefits, such as helping foster cultural change, and disadvantages, such as creating another DOD power base;
- estimated costs of about \$269 million for the entire milspecs improvement program over 6 fiscal years starting in 1994; and
- time frames for the tasks.

In June 1994, a Report Implementation Group—consisting of representatives from OSD, the services, and the Defense Logistics Agency—met and developed DOD's implementation plan. The plan addresses an approach for ensuring that the infrastructure and resources required for reform are in place. A key feature of the plan is that each major buying command and center is required to provide a draft of its own implementation plan to its service/agency by the end of October 1994, with final submittal by the end of November 1994. Additionally, to help ensure stable milspecs improvement funding and provide management oversight, the plan envisions that the Assistant Secretary of Defense (Economic Security) work with the DOD Comptroller to create a common program element for each service's budget.

Some PAT report recommendations were not viewed as directly related to milspec reform and were not addressed by the implementation group. Also, the group did not address some other implementing tasks. For example, the task to establish memorandums of understanding with industry was set aside because the PAT had provided no data on the benefits of this task and the implementation group questioned the value. In another case, a recommended task—canceling or inactivating standards identified by industry as problems—was temporarily suspended by the group pending the completion of an additional analysis.

According to OSD officials, the implementation plan is simply the first step in a long-range, iterative process. We were told that the implementation plan reflects current thinking and that the plan is to be updated periodically to reflect progress, issues, and new directions. Officials said that in 6 months the group will revisit the plan and update it.

Program Focuses on Changing the Acquisition Culture

The major focus of the current milspec reform program is on changing DOD's acquisition culture. Specifically, the PAT's recommendations and implementing tasks, the subsequent implementation plan, and the Secretary of Defense's memorandum all address the need to change DOD's

acquisition culture. We previously reported that the inability to change the culture has thwarted reform.² The PAT report goes beyond identifying the need for cultural changes and addresses several elements in a cultural change program, including (1) leadership, (2) training, (3) resources, and (4) incentives for desired behavior. In a February 1992 report,³ we stated that such elements, especially top management commitment and training, have been successfully used in the private sector to change organizational culture. However, we also noted that experts believe that a culture change is a long-term effort that takes at least 5 to 10 years to complete.

Leadership Is Required

DOD officials and prior studies have stated that past milspec reform initiatives were not fully successful because top management did not participate personally in the process and provide the required leadership. For example, in an overview of prior milspec initiatives, a 1993 report stated that personal involvement of DOD management has worked, and hands-off, directive-type management has not. The Secretary of Defense, in signing the memorandum to implement the reform program, stated that the current senior leadership is committed to ensuring that acquisition reform changes will be accepted and institutionalized. DOD officials said that this is the first time that such support has existed prior to beginning a milspec reform effort. The PAT report and the Secretary's memorandum stipulate that OSD management and other acquisition leaders must take an ongoing and proactive role in reinforcing the acquisition reform message of which milspecs is only one component. According to the PAT report, senior DOD management has a major role in establishing the environment essential for cultural change by, among other things, participating in the implementation process.

Leadership is also required to ensure that top-level officials designated to carry out the reforms have the authority and resources to implement the program. For example, some of the prior reports have noted that the problem is not in assigning reform responsibilities to designated officials, but in ensuring that these officials have the required authority and resources. The most likely candidate to carry forward a reform agenda—the Standards Improvement Executive—has often been removed from the acquisition decision-making process. As described earlier, the PAT recommends giving these Executives the authority needed to effect desired reform. As required in the implementation plan and the Secretary's memorandum, Standards Improvement Executives were appointed in

²Weapons Acquisition: A Rare Opportunity for Lasting Change (GAO/NSIAD-93-15, Dec. 1992).

³Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

July 1994 to participate in the Defense Standards Improvement Council. The Council is to oversee the implementation of, provide direction to, and resolve issues in the milspec reform program. Among other things, the Secretary's memorandum required the Council to report directly to the Assistant Secretary for Economic Security and directed that actions be taken to budget funds for the program. However, whether such changes will give these officials the authority and resources needed for milspec reform is yet to be determined.

Training Identified as Key to Success

The PAT report cites training as "the linchpin of cultural change, providing new skills and knowledge to implement a new acquisition paradigm." The majority of the report's recommendations either included tasks to provide training or cited the need for training to overcome cultural barriers. While training has been recommended in most prior milspec reform reports, the current emphasis on training appears more extensive and is intended to include more personnel in training programs. Past training recommendations primarily addressed classroom training. The current recommendations require continuous, rather than one-time training, for all levels and includes many delivery systems in addition to classroom training to reach the personnel responsible for implementation. Examples include such media as video tapes of speeches and interviews by top OSD and service leaders, video conferences, correspondence courses, computer-based instruction, and road shows (in which senior acquisition personnel go on-site to the workforce to sell the need for changes and answer questions). While some of the training is focused on demonstrating the need for change, other training is to provide instruction on specific skills and capabilities such as developing and applying performance specifications, conducting market research, or obtaining quality assurance with reduced government oversight.

The PAT report estimated training costs at about \$13 million over 6 years, starting in 1994. This was to be in addition to training already funded within existing budgets for the Defense Acquisition University. We were told that (1) the amounts in the report are estimates and are not based on detailed analysis and (2) the services are developing details for budget submissions. The implementation plan does not add substantive details on training to the PAT report. However, one possibly significant difference between the two is that the implementation plan does not require that training related to milspec reform be a mandatory part of career progression for all appropriate acquisition personnel as the PAT

recommended. This could serve to decrease some of the importance of new training.

Resources Needed for Milspec Reform

The PAT and prior efforts have stated that personnel and funding are crucial resources to the success of the recommended actions. The PAT reports that one way of ensuring reform is to develop a joint milspec budget with individual service/agency line items to control funds needed for implementing initiatives. Four of the eight prior reports we analyzed also recognized the need for separate funding to accomplish milspec recommendations.

Currently, the funding and personnel responsible for developing and maintaining milspecs used by DOD are decentralized with OSD providing overall policy and guidance. As a result, local commanders where standardization activities are located control the resources and can reduce standardization efforts to free funds and personnel for other tasks considered more important. In our field visits we noted examples of reductions in resources for milspec functions because of other work priorities. We were told that the personnel situation could intensify as the DOD acquisition workforce continues to shrink. Reportedly, the workforce has been reduced by 23 percent, or 134,000 jobs, since 1988.

The PAT report estimated that total additional funding required to implement the recommendations would be as shown in table 1.

Table 1: PAT's Report Estimate of Funding Required to Implement Its Recommendations

Dollars in millions		
Category	Funding	Time frame ^a
Automation	\$81	1994-99
Manufacturing and management milspecs	16	1994-96
National standards	6	1994-96
Obsolete specifications	3	1994-96
DOD Standardization Program ^b	269	1994-99
Training and education	13	1994-99
Subtotal	\$388	
Less funding already provided	188	
Total additional funds required	\$200	

^aBecause time frames vary, funds for individual categories are not comparable.

^bThis program, which is under the direction of the Standards Improvement Executives, will provide funds for writing, reviewing, and maintaining milspecs and other documents such as commercial item descriptions and nongovernment standards.

PAT officials told us that the implementation estimates were very rough, and they could not provide support for them. The Secretary of Defense's implementing memorandum does not address the amount of funds that might be required. It requires the Under Secretary of Defense (Acquisition and Technology) to arrange for funds needed in fiscal years 1994 and 1995 to efficiently implement the PAT report and directs the services to program funding for fiscal year 1996 and beyond. DOD and service officials told us that providing funds to carry out recommendations or ensuring that funds will be available for milspec functions will be difficult. As noted in earlier reports, lack of adequate funding was a problem in other milspec reform efforts.

Furthermore, because of reductions in the DOD acquisition workforce, personnel authorizations could become as critical, if not more critical to milspec reform as funding. For example, the implementation plan pointed out that the Air Force, even with adequate funds, might have difficulty implementing the recommendations due to personnel ceilings. All DOD organizations might experience such difficulty because DOD is implementing the Federal Workforce Restructuring Act of 1994 by establishing work year ceilings on civilian personnel levels.

Report Discusses Incentives for Change

One way the program recommends achieving cultural change is to provide incentives for industry and program officials to effectively introduce alternatives in the proposal process as revisions or substitutes for milspecs. Our previously discussed December 1992 report noted that one reason reforms do not occur is that the basic incentives or pressures that drive the participants' behavior in the process are not changed. Accordingly, changing incentives and pressures is important for cultural change as opposed to coercive and procedural solutions that attempt to make things happen without necessarily affecting why they did not happen in the first place.

The PAT recommends that all new high-dollar value solicitations and ongoing contracts include a statement encouraging contractors to submit alternative solutions to milspecs. Tasks proposed to implement the recommendation include policy changes to allow contractors offering alternatives to milspecs the possibility of additional profit or fees for new contracts and the negotiation of a no-cost settlement for certain existing contracts. A similar recommendation was in the 1977 Defense Science Board report; however, a 1993 Defense Science Board report pointed out that currently "Government profit guidelines" do not encourage

contractors to reduce costs since profit is a percentage of cost."⁴ Also, some DOD officials have questioned whether this recommendation provides more incentives than the current program. Accordingly, questions remain as to whether this recommended action will adequately incentivize contractors.

In addition to providing incentives to contractors, DOD's program envisions providing incentives to program managers. One of the recommended tasks is to issue a change in policy that encourages program managers to select alternative solutions to milspecs by allowing the program to retain a portion of any resulting savings. This was recommended in a 1987 study, but was not implemented.

Areas to Be Further Developed

Our review identified program areas that have not been fully developed in this early stage of implementation. Specifically, we observed that (1) data on the benefits of implementing the recommended actions were generally not available, (2) opportunities for advancing acquisition reform goals had not been prioritized, and (3) indicators were not adequate to measure progress toward intended goals. DOD officials acknowledged the need for further work in these areas as implementation proceeds.

Benefits of Recommended Actions

The PAT report and other reports assert that milspec reform will result in dollar savings and other benefits that will more than offset the additional funds required for reforms. However, neither the PAT report, the implementation plan, nor the Secretary's memorandum provide much supporting data on dollar savings or other benefits to be achieved.

The PAT's charter specifically required the team to quantify the benefits of recommendations. Although 14 of the 24 recommendations refer to expected savings or cost avoidances, the report provided specific dollar benefits for only 2, and these were the savings realized from limited implementation by a service or defense agency. OSD and service officials acknowledged that the PAT did not do much to quantify benefits. These officials stated that it was difficult to identify costs and savings of the various actions involved in each recommendation but conceded that this information should be developed.

DOD officials said that because many interrelated actions are being implemented in addition to milspec recommendations, it is not possible to

⁴Report of the Defense Science Board Task Force on Defense Acquisition Reform, July 1988.

identify the results of specific changes. The July 1993 Defense Science Board report on Defense Acquisition Reform also supports this view. It cites case studies to show potential savings by eliminating five elements that impose inefficiencies in the current acquisition systems—unique government specifications, processes, and practices being one element. However, the examples indicated that the five elements combined to cause the additional costs of government items, and the savings from each recommended change were not subject to precise calculation.

During his press conference on milspec reform, the Secretary of Defense stated that milspec reform was expected to increase DOD's costs in the first year but to produce billions of dollars in savings thereafter. He cited the electronics area as having the potential to produce savings of about \$700 million. DOD officials have not identified any reliable data on costs and savings that support these statements. Identifying monetary savings could be critical to achieving acceptance of the reform program by officials throughout the acquisition community. Prior efforts, such as the Defense Management Review Working Group Initiative, reportedly failed because, among other things, the services and defense agencies never concurred with the initiative. A DOD official, in commenting on the draft PAT report, said that it would be helpful if the report included some form of cost benefit analysis. More details of monetary benefits might be required if milspec reform is to be successful because officials could be reluctant to commit scarce resources if they are not convinced that the effort will produce identifiable benefits.

Identifying Best Opportunities to Achieve Goals

Under its current milspec reform program, DOD has not prioritized actions by identifying where the greatest needs and opportunities for milspec reform exist. Neither has it clearly differentiated the types of acquisitions, classes of equipment, or sectors of the industrial base to which each recommendation has the greatest applicability. The PAT charter tasked the team to evaluate the impact of implementing its recommendations on major systems, less-than-major systems, systems support equipment, spare and repair parts, base support equipment, and supplies and consumables. Although the team addressed some of these areas, an overall evaluation of the impact of the PAT recommendations on different types of acquisitions, buys, or industrial sectors was not done.

A more detailed evaluation would have been instrumental in identifying where the greatest needs and opportunities for milspec reform exist. Comments received on a draft of the PAT report indicate concern about the

global nature of some of the recommendations. For example, one official noted that the report proposes to apply a "grab bag" of practices to each and every program without considering the specific needs of each program. The official said that this approach would harm the general acquisition process. The PAT response did not directly address these concerns but stated that, among other things, the PAT recognized that the defense acquisition process was very complex and that simple solutions broadly applied are not the answer. If all needed resources do not become available, focusing on areas of high payoff might be needed.

The limited examples of identified benefits appear to indicate that the recommendations could meet varying levels of needs or provide different benefits, depending on the industrial sector involved. For example, Defense Science Board reports issued in January 1987 and July 1993 identify key industrial sectors, such as electronics, jet engines, semiconductors, and transportation, as offering opportunities for DOD to buy commercial products without using milspecs. The Secretary of Defense stated that in the electronics area industry was so far ahead of DOD technologically that using performance or commercial specifications for these items would produce great benefits. DOD's implementation plan does not target this or other areas for priority attention.

Identifying areas where the greatest opportunities are and establishing the details on how DOD could apply recommendations to different types of buys could be important in ensuring that implementing officials clearly understand what is required and what benefits are expected. DOD officials told us that they are developing tools for the services to use in identifying the greatest opportunities. They said that these tools include a questionnaire to help users prioritize the areas of greatest opportunities for milspec reform within the various DOD activities. Also, they said that DOD is establishing priorities for eliminating management and process standards that have been tentatively identified by industries as significant integration barriers or cost drivers.

Indicators to Measure Progress Toward Goals

DOD's milspec program calls for establishing indicators that monitor the program's success in translating the reform policy into actions and reducing costs and integrating the defense and commercial bases. DOD's implementation plan identifies 12 indicators, a reduction from the approximately 50 individual ones listed in the PAT report. In addition, the plan states that an existing database will be expanded to have automated data reporting for some indicators. However, DOD officials said that the

expanded data was not viewed as cost effective, and currently, they plan to expand data in only one limited area. An earlier milspec reform report noted that the current DOD computer systems are not able to track some critical data elements such as the volume of commercial items being bought, or the number of items bought to milspecs as opposed to some other type of specification.

The majority of the indicators in the PAT report and the implementation plan consist of determining whether an event has occurred or counting the number or percent of selected documents, such as milspecs or commercial standards, that are used. For example, on the recommendation regarding leadership, the PAT report indicators include ascertaining if (1) the policy memorandum is issued, (2) video conferences occur, and (3) progress reports are submitted. Indicators for other recommendations include the number of (1) milspecs and commercial type documents used, (2) commercial acquisitions, and (3) alternatives to milspecs proposed and accepted. These do not appear to measure whether DOD is progressing toward its overall goals of reducing acquisition cost and time and integrating the industrial bases.

OSD officials recognize that the indicators are weak and are currently working on developing better ones. Although the PAT report recommended that the Defense Standards Improvement Council monitor progress, no other organization has yet been assigned specific responsibility for developing improved indicators.

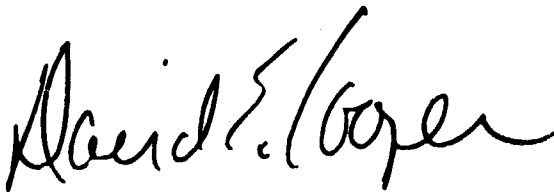
Scope and Methodology

We reviewed the April 1994 PAT report; the DOD's June 23, 1994, implementation plan; and the June 29, 1994, Secretary of Defense memorandum directing implementation of the PAT report. We analyzed the 24 recommendations in the PAT report, focusing on the 13 principal ones. To see whether these recommendations were cited in past studies, and whether resources, time frames, and progress indicators were more fully addressed in the current program, we compared the program with selected prior reports on milspecs and acquisition reform. To obtain more data about milspec issues and changes that could occur under the reform program, we (1) visited standardization activities and program offices at the Air Force Material Command and Aeronautical Systems Center, the Army Materiel Command and Aviation and Troop Command, and the Defense General Supply Center and (2) interviewed officials from the services, standards writing organizations, and industries.

We conducted our work between November 1993 and August 1994 in accordance with generally accepted government auditing standards. We did not obtain written DOD comments on a draft of this report; however, we discussed our results with agency officials. In general, they concurred with our results and made some suggestions that have been considered in preparing this report.

We are sending copies of this report to the Secretary of Defense, the Deputy Under Secretary of Defense for Acquisition Reform, and interested congressional committees.

Please contact me at (202) 512-4587 if you have any questions concerning this report. Major contributors to this report are listed in appendix III.



David E. Cooper
Director, Acquisition Policy, Technology,
and Competitiveness Issues

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Abbreviations

DOD	Department of Defense
OSD	Office of the Secretary of Defense
PAT	Process Action Team

Recommendations in PAT Report

The following are the recommendations in the report entitled Blueprint for Change: Report of the Process Action Team on Military Specifications and Standards, dated April 1994. We identify the 13 principal recommendations with an asterisk (*).

- 1.* All ACAT¹ Programs for new systems, major modifications, technology generation changes, nondevelopmental items, and commercial items shall state needs in terms of performance specifications.
- 2.* Direct that manufacturing and management standards be canceled or converted to performance or nongovernment standards.
- 3.* Direct that all new high value solicitations and ongoing contracts will have a statement encouraging contractors to submit alternative solutions to military specifications and standards.
- 4.* Prohibit the use of military specifications and standards for all ACAT programs except when authorized by the Service Acquisition Executives or designees.
5. Change current processes and procedures to ensure that specifications and standards only list references essential to establishing technical requirements.
6. Eliminate the current process of contractually imposing hidden requirements through references listed in equipment/product specifications or noted on engineering drawings.
7. Mandate cancellation or inactivation of new design obsolete specifications and standards that have had no procurement history for the past 5 years. Cancel all unnecessary data item descriptions.
- 8.* Form partnerships with industry associations to develop nongovernment standards for the replacement of military standards where practical.
9. Establish a process to include industry and government users upfront in the specifications and standards development and validation processes.

¹ACAT refers to acquisition category and is used to establish the level of review and decision authority for four categories of DOD acquisition programs.

10. Assign specifications and standards preparation responsibility to the Defense Logistics Agency for Federal Supply Classes that are primarily commercial.

11.* Direct government oversight be reduced by substituting process control and nongovernment standards in place of development/production testing and inspection and military unique quality assurance systems.

12.* Direct a goal of reducing the cost of contractor-conducted development and production test and inspection by using simulation, environmental testing, dual-use test facilities, process controls, metrics, and continuous process improvement.

13.* Assign Corporate Information Management offices for specifications and standards preparation and use.

14.* Direct use of automation to improve the processes associated with the development and application of specifications and standards and Data Item Descriptions.

15.* Direct the application of automated aids in acquisition.

16. Use Distributed Interactive Simulations, Design to Cost and Cooperative Research and Development Agreements to achieve aggressive cost/performance trade-offs and dual-use capabilities.

17. Direct the establishment and execution of an aggressive program to eliminate or reduce and identify the quantities of toxic pollutants procured or generated through the use of specifications and standards.

18.* Direct revision of the training and education programs to incorporate specifications and standards reform. Contractor participation in this training effort shall be invited and encouraged.

19.* Senior DOD management take a major role in establishing the environment essential for acquisition reform cultural change.

20.* Formalize the responsibility and authority of the Standards Improvement Executives, provide the authority and resources necessary to implement the standards improvement program within their service/agency, and assign a senior official with specifications and standards oversight and policy authority.

-
- 21. Use innovative approaches in the acquisition of weapon systems, components, and replenishment items by using commercial practices.**
 - 22. Increase the use of "partnering" in contracts and program management to improve relationships and communication between government and industry.**
 - 23. Continue to encourage and assist contractors to use activity-based costing in circumstances where the method could improve cost allocations, bidding, and cost reimbursements.**
 - 24. Integrated Product Development will be the preferred risk mitigation tool for all developmental acquisitions.**

Selected Milspec and Acquisition Reform Reports

Road Map for Milspec Reform: Integrating Commercial and Military Manufacturing, Report of the Working Group on Military Specifications and Standards, Center for Strategic and International Studies, 1993.

Acquisition Streamlining: Specifications and Standards, DOD Inspector General, Report 92-INS-12, September 21, 1992.

Report of the Process Action Team on Procedures for Working Group 9 on Specifications and Standards Under the Regulatory Relief Task Force of the Defense Management Review, August 1990.

Report of the Process Action Team on User Feedback for Working Group 9 on Specifications and Standards Under the Regulatory Relief Task Force of the Defense Management Review, October 1990.

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